

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 PM-07 NSC-10 SS-15 RSC-01 L-03 CIAE-00

INR-10 NSAE-00 EB-11 COME-00 OMB-01 IGA-02 TRSE-00

RSR-01 /074 W

----- 021844

R 061407Z AUG 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 4583

INFO JCS WASHDC

DA WASHDC

USCINCEUR

DSA DCAA CAMERON STATION

C O N F I D E N T I A L JIDDA 3337

E.O. 11652: GDS

TAGS: MASS, SA

SUBJ: ASSISTANCE TO SAUDI ARABIA WITH IMPROVED HAWK
PROGRAM

REF: JIDDA 3265; STATE 153863

SUMMARY. SULTAN ACCEPTED AMB'S OFFER FOR DEFENSE CONTRACT
AGENCY REVIEW OF IMPROVED HAWK CONTRACT WITH RAYTHEON
BUT ASKED WHY USG COULD NOT TAKE CONTRACT ON GOVT-TO-GOVT
BASIS. FOLLOWING AMB'S EXPLANATION, SULTAN ASKED FOR
LETTER WHICH SETS OUT US POSITION, INCLUDING OUR
FAVORABLE OPINION OF RAYTHEON. DRAFT WILL BE SUBMITTED TO
DEPT. ACTION REQUESTED: TRANSMISSION OF FURTHER DETAILS AS
TO HOW DEFENSE CONTRACT REVIEW PROCEDURE WOULD BE BROUGHT
TO BEAR ON SAUDI-RAYTHEON CONTRACT FOR ADVANCED HAWK. END
SUMMARY.

1. INFORMED SULTAN THAT IN RESPONSE TO HIS REQUEST I HAD
ASKED WASHINGTON EXAMINE WHAT WE COULD DO TOWARD BEING OF
ASSISTANCE TO HIM IN NEGOTIATING IMPROVED HAWK MISSILE
CONTRACT. HAD BEEN AUTHORIZED INFORM HIM WE WERE PREPARED
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PROVIDE CONTRACT REVIEW SERVICE THROUGH DEFENSE CONTRACT

AUDIT AGENCY. SUCH PROCEDURE WOULD ALLOW EXAMINATION OF PROPOSED SAG CONTRACT WITH RAYTHEON AT TWO DIFFERENT STAGES. EMPHASIS WOULD BE ON EXAMINATION OF COST FACTORS AND SHOULD GIVE MINDEFENSE ASSURANCES AS TO CORRECTNESS OF THEIR CONTRACT WITH COMPANY. I OFFERED PROVIDE SULTAN WITH COPY OF TYPICAL AUDIT AGREEMENT I HAD BROUGHT WITH ME AND WHICH HE AND HIS STAFF COULD EXAMINE TO ASSESS DEGREE TO WHICH IT MET THEIR REQUIREMENTS.

2. SULTAN WONDERED WHY WE COULD NOT UNDERTAKE GOVT-TO-GOVT CONTRACT, OR WHETHER USG MIGHT NOT CONSIDER OFFERING GUARANTEE FOR PERFORMANCE OF SAG-TO-CONTRACTOR ARRANGEMENT. REPLIED THAT, AS I HAD EXPLAINED PREVIOUSLY TO HIS HIGHNESS, WE COULD SEE REALLY VERY LITTLE JUSTIFICATION OR NEED FOR GOVT-TO-GOVT ARRANGEMENTS. SAG HAD HAD VERY SATISFACTORY EXPERIENCE WITH RAYTHEON IN INITIAL HAWK PROGRAM AND GOOD WORKING RELATIONSHIP BASED ON MUTUAL UNDERSTANDING AND CONFIDENCE HAD BEEN ESTABLISHED. IMPROVED HAWK WOULD THUS BE BUILT ON EXISTING FIRM FOUNDATION. RAYTHEON WOULD BE IMPLEMENTING PROJECT WHICH NOT AT ALL UNIQUE TO SAUDI ARABIA BUT WHICH COMPANY CARRYING OUT IN A NUMBER OF OTHER FOREIGN COUNTRIES ALSO. ALL THESE FACTORS INDICATED THERE REALLY NO REQUIREMENT FOR USG INJECT ITSELF BETWEEN TWO PARTIES IN MANNER WHICH COULD BE BOTH EXPENSIVE AND TIME CONSUMING. NEXT PHASE OF HAWK ENDEAVOR COULD FUNCTION VERY WELL WITHOUT US.

3. AS TO PROVIDING USG GUARANTEE, THIS WOULD BE VERY DIFFICULT TO DO WITHOUT OUR BEING IN MIDDLE OF PROGRAM AND EXERCISING AUTHORITY. WE COULD NOT GUARANTEE THAT WHICH WE COULD NOT CONTROL AND IN ANY CASE, RECORD SHOWED THERE WAS EVERY REASONABLE EXPECTATION FOR RAYTHEON TO DO GOOD JOB. HRH HAD HIMSELF EXPRESSED TO ME HIS CONFIDENCE IN RAYTHEON.

4. SULTAN DECLARED HE WOULD VERY MUCH LIKE TAKE ADVANTAGE OUR KIND OFFER TO DO CONTRACT REVIEW FOR HIM AND WOULD WELCOME PROMPT RECEIPT OF FURTHER DETAILS. IN ADDITION, HOWEVER, HE ASKED THAT I SEND HIM LETTER EMBODYING REASONABLE WHICH I HAD JUST GIVEN HIM ORALLY. CONFIDENTIAL

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I PROMISED SEE WHAT I COULD DO.

5. COMMENT: CLEARLY SULTAN HAS MADE COMMITMENT TO KING THAT USG WILL PLAY SOME ROLE IN ADVANCED HAWK PROJECT. WE WILL SUBMIT TO DEPT FOR APPROVAL DRAFT OF LETTER EMBODYING ARGUMENTS AGAINST GOVT-TO-GOVT CONTRACT OR USG GUARANTEE AND PRAISING RAYTHEON BUT IN LANGUAGE WHICH WILL IN FACT AVOID PROVIDING ANY IMPLIED COMMITMENT ON OUR PART TO ASSURING

SUCCESS OF PROGRAM.

THACHER

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